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Financial reform: key 'roadmap' initiatives presented

Special Feature

Emerging digital barriers to the Single Market

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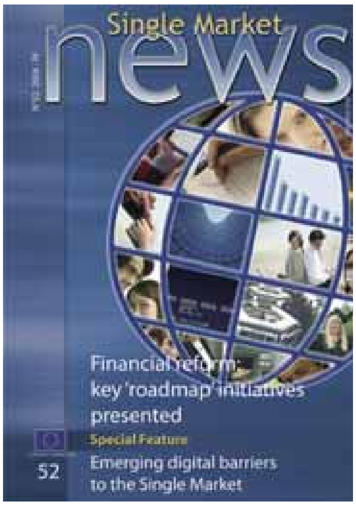

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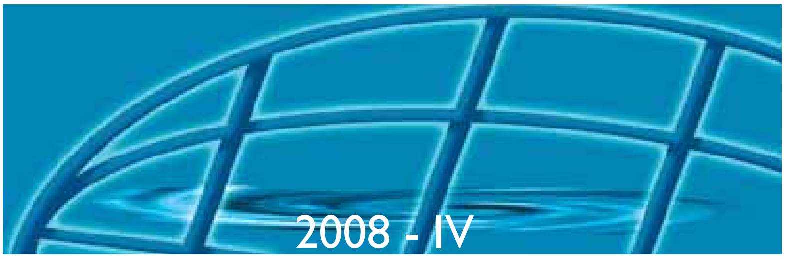

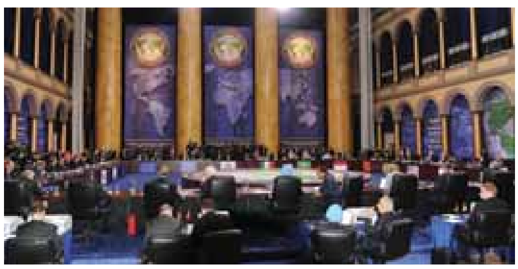

Editeur responsable
Panayotis Stamatopoulos
European Commission
DG Internal Market and Services
Unit A-4
B - 1049 Brussels
Tel: (+32 2) 296 17 72
Fax: (+32 2) 295 43 51

Editor
Nigel Griffiths
Fax: +32 2 295 43 51

Subscriptions
Brona Meldrum
DG Internal Market and Services
SPA2 1/008
B-1049 Brussels
Fax: +32 2 295 43 51
E-mail: Markt-smn@ec.europa.eu
www.ec.europa.eu/internal_market/smn.htm

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EDITORIAL

The situation in global financial markets deteriorated in September and October. As a reaction, efforts to stabilise markets and soften an economic downturn have increased. The Commission is deeply involved in these efforts both at EU and global level. Work has started on a new global regulatory architecture to manage the financial services industries. Right from the start of the crisis, the Commission has played a key role. It was instrumental in preparing the so-called ECOFIN roadmap already in autumn 2007. This roadmap was the first document globally that set out a comprehensive work programme to analyse and address the shortcomings in regulation revealed by the financial crisis. The Commission has also brought forward a number of important initiatives (see below) to improve financial regulation and it recently decided to establish a High Level Group reviewing the structure of cross-border supervision within the European Union. The Commission has also been actively engaged in promoting the definition of a common EU position, first at the European Council meeting in Brussels on 7 November, and then at the G20 Summit that took place in Washington on 15 November. A broad consensus has thereby been established among Member States on key issues such as the future role of international financial institutions and the main regulatory reforms that need to be implemented.

One of the key elements of the EU's 'roadmap' is a revision of the EU's Capital Requirements Directive which regulates the ability of banks to lend and borrow money. Changes have been proposed by the Commission with the overriding aim of strengthening confidence in financial markets, reinforcing the stability of the financial system, reducing risk exposure and improving the supervision of banks that operate in more than one EU country. (See p. 6)

The Commission has, after extensive consultation, also proposed a series of far-reaching changes in the way credit rating agencies are regulated. The new rules are designed to ensure the high quality of credit ratings, which should not be affected by conflicts of interest which may arise in the rating business. The Commission proposal goes further than the rules which apply in other jurisdictions. (See page 4). Measures have also been proposed to raise the minimum level of protection for bank deposits (see p. 9) and to modify accounting rules to benefit companies in these times of financial difficulty (see p. 8)

Since 1993 great strides have been made by the EU in removing the trade barriers between the Member States. Despite this undoubted success, today we now face the risk of new internal market barriers being created - electronic barriers. Incompatible approaches to online procurement, electronic signatures, eInvoicing and document authentication can potentially re-introduce market fragmentation and undermine the potential benefits of the Single Market. (See Special Feature p.11)

Jörgen Holmquist
Director General for
Internal Market and Services,
European Commission

Strict rules proposed by the Commission to regulate credit rating agencies

As part of the package of measures to deal with the financial crisis, the Commission has, after extensive consultation, proposed a series of far-reaching reforms in the way the credit rating industry is governed. They will ensure delivery of high quality credit ratings, eliminating the potential impacts of conflicts of interest.

As part of a package of measures to deal with the financial crisis the Commission has put forward a proposal for a Regulation to control the activities of the credit rating agencies.

The behaviour of the credit rating agencies, whose analysis is extensively used by investors, has been highlighted as one of the contributory factors in the current turmoil in global financial markets.

The new rules are designed to ensure the high quality of credit ratings, which should not be affected by the conflicts of interest which may arise in the rating business.

The Commission proposal goes further than the rules which apply in other jurisdictions.

The proposal lays down conditions for the use and issuance of credit ratings. These are needed to restore market confidence and increase investor protection.

It introduces a registration procedure for credit rating agencies to enable European supervisors to control the activities of the agencies whose ratings are used by credit institutions, investment firms, insurance, assurance and reinsurance undertakings, collective investment schemes and pension funds within the Community.

After the G20 Summit of world leaders in Washington, 15 November Commission President Barroso said: “There has been a real convergence of analysis….We have begun laying the foundations for a new global governance: for a global social market economy, with the European Union acting as its precursor."
Right from the start of the crisis, the Commission has played the key role. It was instrumental in preparing the so-called ECOFIN roadmap in autumn 2007. This roadmap was the first document globally that set out a comprehensive work programme to analyse and address the shortcomings in regulation revealed by the financial crisis. The Commission was also actively engaged in promoting the definition of a common EU position at the European Council meeting on 7 November in advance of the G20 Summit.

Rigorous rules

Credit rating agencies will have to comply with rigorous rules to make sure that:

- that credit ratings are not affected by conflicts of interest;
- that credit rating agencies remain vigilant on the quality of the rating methodology and the credit ratings;
- that credit rating agencies act in a transparent manner.

The proposal also includes an effective surveillance regime whereby European regulators will supervise credit rating agencies.

The new rules lay down that:

- Credit rating agencies may not provide advisory services to the rated entity or any related third party;

- They will not be allowed to rate financial instruments if they do not have sufficient quality information to base their ratings on;
- They must disclose the models, methodologies and key assumptions on which they base their ratings;
- They will be obliged to publish an annual transparency report;
- They will have to create an internal function to review the quality of their methodologies and models;
- They should have at least three independent directors on their boards whose remuneration cannot depend on the business performance of the rating agency. They will be appointed for a single term of office which can be no longer than five years. They can only be dismissed in case of professional misconduct. At least one of them should be an expert in securitization and structured finance.

IOSCO code

Some of the proposed rules are based on the standards set in the International Organisation of Securities Commissions (IOSCO) code. The proposal gives those rules a legally binding character. Also, in those cases where the IOSCO standards are not sufficient to restore market confidence and ensure investor protection, the Commission has proposed stricter rules.

ECOFIN roadmap

The Commission started work to propose legislation in this area in the summer of 2007 when there were first indications of malpractice in the ratings business.

EU Finance Ministers (ECOFIN) meeting in October 2007 agreed to a set of conclusions on the crisis (the 'ECOFIN roadmap') which included a proposal to assess the role played by credit rating agencies and to address any relevant deficiencies.

The EU Council of 20 June and 16 October 2008 reinforced this by calling for a legislative proposal to strengthen the rules on credit rating agencies and their supervision at EU level, considering it a priority to restore confidence and proper functioning of the financial sector.

Comprehensive impact assessment

This proposal is the outcome of a thorough and comprehensive impact assessment as well as extensive consultations.

> "The Commission's proposal goes further than the rules existing in any other jurisdiction in the world. While we are setting standards for the EU we want these to become global standards."

Important input has been given by the Committee of European Securities Regulators and the European Securities Markets Expert Group (ESME), Member States, the ECB, major credit rating agencies and other stakeholders.

CESR's advice leant in favour of a self-regulatory approach while ESME outlined a comprehensive package of proposals and indicated that in the absence of a willingness by the CRAs to strengthen their internal governance and procedures, regulation would have to be considered.

Commissioner for Internal Market and Services, Charlie McCreevy commented: "Having considered the matter carefully – and taking account of the difficulty in getting all of the major CRAs to "step up to the plate" with adequate self regulatory proposals – I decided it was necessary to move forward with the preparation of this legislative proposal.

"The proposal is in my view well balanced – it ensures the analytical independence of credit rating agencies while at the same time ensuring that they are subject to effective oversight to ensure that professional standards are applied, agreed procedures and policies are enforced to ensure that the integrity of the rating process is upheld and that conflicts of interest are adequately managed and mitigated."

"The Commission's proposal goes further than the rules existing in any other jurisdiction in the world. While we are setting standards for the EU we want these to become global standards."

No defence

Under the new rules, CRAs will have to be authorised and operate in full conformity with EU rules. They will be supervised by EU supervisors.

CRAs will no longer be able to use the defence that credit ratings are just opinions. They will be sanctioned and made liable for breaches of our rules and other wrongdoing, including gross professional misconduct. They could face the withdrawal of their registration under EU law.

Ratings of structured finance instruments will need to include a report on the specific risks involved; alternatively CRAs may use separate symbols for these ratings. Separate rating symbols will also be required for unsolicited ratings. Finally, a CRA will not be able to issue ratings if it does not have sufficient good quality information to do so.

info
Piotr Plizga
TEL: +32 (0)2.298 87 72
FAX: +32 (0)2.295 56 06
Markt-G3@ec.euopa.eu

info http://ec.europa.eu/internal_market/securities/agencies/index_en.htm

Revision of bank capital requirement rules proposed to reinforce financial stability

As a further key element to strengthen confidence in financial markets the Commission has proposed a revision of the rules affecting the ability of banks to lend and borrow money. The Commission has put forward a revision of EU rules on capital requirements for banks that is designed to reinforce the stability of the financial system, reduce risk exposure and improve the supervision of banks that operate in more than one EU country.

A revision of the EU rules affecting the capital requirements for banks and thus their ability to lend money has been drawn up by the Commission.

The proposed amendments are, in the main, a direct follow-up to the 'roadmap' of measures to counter the financial turmoil agreed by EU Finance Ministers in October 2007. They are also a response to the recent recommendations of the G-7 Financial Stability Forum.

McCreevy: "The proposals approved by the College for a revision of the Capital Requirements Directive are proposals on which we have been working for more than a year now."

The changes are designed to reinforce the stability of the financial system, reduce risk exposure and improve supervision of banks that operate in more than one EU country.

The proposal, which amends the existing Capital Requirements Directives*, reflects extensive consultation with international partners, Member States and industry. It now passes to the European Parliament and the Council of Ministers for consideration.

The European Council has expressed a strong sense of urgency emphasising that the measures should be adopted by April 2009. While this may be too late to have any impact on the current meltdown of the financial system it will help strengthen the regulatory framework for the medium term and help prevent the recurrence of such crises.

Own financial resources

The purpose of the Capital Requirements Directive - originally adopted in 2006 - is to ensure the financial soundness of banks and investment firms. Together they stipulate how much of their own financial resources banks and investment firms must have in order to cover their risks and protect their depositors.

This legal framework needs to be regularly updated to respond to the needs of the financial system as a whole.

“These new rules will fundamentally strengthen the regulatory framework for EU banks and the financial system. I believe that they are a sensible and proportionate response to the financial turmoil we are experiencing. Basic rigour, transparency and prudence are key to a healthy and stable banking system," commented Commissioner for Internal Market and Services, Charlie McCreevy.

"The proposals approved by the College for a revision of the Capital Requirements Directive are proposals on which we have been working for more than a year now."

"Rather than working in the sole interest of their own Member State it is important that solutions for cross border groups are found in a collegial manner."

A very important element, he explained, relates to the establishment of Colleges of Supervisors to enhance cross-border cooperation between supervisors and the mandatory exchange of information between supervisors to help detect signs of stress.

"We are also imposing much clearer responsibilities on supervisors in respect of the allocation of capital for banks operating on a cross border basis. This should ensure that in each Member

The main proposed changes

- To improve supervision of cross-border banking groups 'colleges of supervisors' will be established for banking groups that operate in multiple EU countries. The rights and responsibilities of the respective national supervisory authorities will be made clearer and their cooperation will become more effective;
- To improve risk management for securitized products: rules on securitized debt – the repayment of which depends on the performance of a dedicated pool of loans – will be tightened. Firms (known as 'originators') that re-package loans into tradable securities will be required to retain some risk exposure to these securities, while firms that invest in the securities will be allowed to make their decisions only after conducting comprehensive due diligence. If they fail to do so, they will be subject to heavy capital penalties;
- To improve the management of large exposures banks will be restricted in lending beyond a certain limit to any one party. As a result, in the inter-bank market, banks will not be able to lend or place money with other banks beyond a certain amount, while borrowing banks will effectively be restricted in how much and from whom they can borrow;
- To improve the quality of banks' capital there will be clear EU-wide criteria for assessing whether 'hybrid' capital, i.e. including both equity and debt, is eligible to be counted as part of a bank's overall capital – the amount of which determines how much the bank can lend;
- To improve liquidity risk management for banking groups that operate in multiple EU countries, their liquidity risk management – i.e. how they fund their operations on a day-to-day basis – will also be discussed and coordinated within 'colleges of supervisors'. These provisions reflect the on-going work at the Basel Committee on Banking Supervision and the Committee of European Banking Supervisors.

State where a bank has an operation it will be appropriately capitalized. The proposals will strengthen oversight for the 40+ large cross-border banks, equipping the system to handle much more effectively the problems that could arise in the event of a cross-border banking failure."

Breakthrough in bank supervision

Learning from recent events, it is critical that there are procedures and policies that ensure the availability of liquidity in times of stress, he said.

"As we have witnessed, when liquidity dries up the blood just stops flowing and life just withers away. These measures represent a real and important breakthrough in respect of the pan-European supervision of banks – a breakthrough that until now has met with stiff political resistance from many Member States," he added.

The Commissioner pointed to the bank rescue in Belgium where supervisors and authorities from different Member States came together and addressed problems with two major financial institutions. "We need learn from and build upon these precedents," he said.

He stressed that from the Commission's perspective, it is important for co-operation to be enshrined in the regulatory framework for normal and crises times.

"Rather than working in the sole interest of their own Member State it is important that solutions for cross border groups are found in a collegial manner."

Explaining what is on offer

On the other key issue of securitization McCreevy stressed the importance of rigour, discipline and risk sharing. "It is important that in the much maligned 'originate to distribute' model the originator and the investor, the seller and the buyer explain and understand what exactly is on offer."

Own due diligence

He stressed the importance that banks do their own due diligence/risk assessment of the assets they invest in.

No longer will any bank be able to place reliance on credit rating agencies for their risk analysis. No longer will they be able to buy securitized assets without ensuring that the originator of those assets retains a net economic interest in them, he stressed.

info
Arvind Wadhera
TEL: +32 (0)2.298 63 44
FAX: +32 (0)2.295 09 92
Markt-H-1@ec.europa.eu

* Directives 2006/48/EC and 2006/49/EC

info http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm

Changes to accounting standards adopted to alleviate the financial turmoil

With the full support of EU Member States and Parliament, the Commission urgently adopted on 15 October various amendments to accounting standards to mitigate against the risk of changing market values in corporate results exacerbating the consequences of the recent turbulence in financial markets for EU companies.

Changes to the accounting rules have been adopted by the Commission to permit EU companies to benefit in the same way as U.S. competitors in how their financial assets are treated in financial statements.

The amendments set out to ensure that EU companies have the flexibility to reclassify assets held-for-trading into the held-to-maturity category.

This impacts on how values of assets are set and is particularly important in falling markets when they could in turn trigger panic selling or have consequences for solvency requirements.

The current financial crisis justifies the use of reclassification by companies. Financial institutions in the EU will thus no longer have to reflect market fluctuation in their financial statements for these kinds of assets.

Rapid response

The Commission has adopted these amendments in response to deliberations of the Council of Finance Ministers (ECOFIN) on 7 October who underlined the necessity of avoiding any distortion of treatment between US and European banks due to differences in accounting rules.

These changes will apply as from the third quarter of 2008.

info http://ec.europa.eu/internal_market/accounting/ias_en.htm

Commission proposes to increase minimum protection for bank deposits to 100,000 euro

In the wake of the current financial crisis, the Commission has proposed a strengthening of depositor protection by raising the minimum level of coverage for bank deposits.

EU Finance Ministers agreed on 7 October 2008 that restoring confidence and proper functioning of the financial sector is a priority. All Member States committed to raise the level of deposit guarantees to 50,000 euro, and many of them even to 100 000 euro.

The Commission has consequently brought forward a revision of EU rules on deposit guarantee schemes that puts into action the commitments made by the EU Finance Ministers.

The new rules are designed to improve depositor protection and to maintain the confidence of depositors in the financial safety net.

Under the new rules, the minimum level of coverage for deposits will be increased within one year from 20,000 euro to 100,000 euro, and initially to 50,000 euro in the intervening period.

Individual Member States can choose to add to these minimum levels. In addition, the payout period in the event of bank failure will be reduced from three months to three days.

According to estimates, about 65% of eligible deposits are covered under the current regime. The new levels would cover an estimated 80% (with coverage of 50,000 euro) and 90% (with coverage of 100,000 euro) of deposits.

Co-insurance (i.e. where the depositor bears part of the losses) is abandoned: Member States must ensure that the deposit is reimbursed up to the coverage level. Under the current Directive, Member States have the option to decide that deposit guarantee only covers 90% of savings.

The proposal now passes to the European Parliament and the Council of Ministers for consideration.

Proposed amendments

The purpose of the Directive on Deposit Guarantee Schemes (1994/19/EC) is to protect a portion of depositors' savings and to ensure confidence into the banking sector, in order to avoid bank runs leading to severe economic consequences.

It has remained unchanged since 1994 but is now being updated in order to respond to the ongoing financial crisis.

Regarding the level of coverage for deposits, Member States are required to increase the coverage level to at least 50,000 euro and within a further year to at least 100,000 euro.

The current Deposit Guarantee Schemes Directive covers savings up to at least 20,000 euro, although individual Member States can choose to increase this level.

Reduction of the payout period

The time allowed for the deposit guarantee scheme to pay depositors in the event that a bank fails will be reduced to three days. Currently the period is three months, and can even be extended to nine months.

Charlie McCreevy, Commissioner for Internal Market and Services commented: "Increasing the minimum protection will strengthen Europeans' confidence in the safety of their deposits. The new rules go hand in hand with the commitment made by EU Finance Ministers and are another sensible and proportionate response to the financial turmoil we are experiencing."

info http://ec.europa.eu/internal_market/bank/guarantee/index_en.htm

Proposal to extend the rules on cross-border euro payments to direct debits

Under new proposals from the Commission the costs of cross-border and national direct debit transactions in euro will become the same.

In 2001, the Regulation on cross-border payments in euro introduced the principle of equal charges for corresponding domestic (national) and cross-border payment transactions. This has, in effect, brought down prices for cross-border payments and introduced more competition in the EU payments market. It has been also the launch pad of the Single Euro Payments Area (SEPA).

This autumn, following a thorough review process, the Commission has put forward a proposal for a modified Regulation, which would, inter alia, extend the principle of equality of charges to cross-border direct debit transactions.

Benefits

The 2001 Regulation equalises charges for credit transfers, cash withdrawals at cash dispensers and payments by means of debit and credit cards up to the value of 50,000 euro within the European Economic Area countries (all 27 Member States of the European Union plus Iceland, Liechtenstein and Norway). The idea is that charges for cross-border and national payments in euro, in every bank within the EU, should be the same (there may be, of course, differences between Member States and payment service providers).

The proposed amendments to the Regulation bring new range of benefits for consumers and companies. They will soon enjoy charge equalisation for another popular payment instrument, i.e. direct debit. Furthermore, the amendment will increase the protection of consumer rights, with clearly appointed national authorities and out-of-court redress bodies empowered to deal effectively with consumer complaints and react quickly in cases of incorrect law application. New definitions and improved wording will also add transparency to the existing provisions of the Regulation.

These modifications constitute an important step towards the full integration of EU payment markets.

Changing payments landscape

The emergence of the SEPA and the adoption of the Payment Services Directive (PSD) are changing the payments landscape in Europe. In particular, a popular electronic payment instrument – direct debit – will become available on a cross-border basis as from November 2009.

In this context, following extensive review process and consultation of stakeholders, the Commission proposed amending the existing Regulation. The wording of the proposed Regulation, in particular its definitions, is aligned with the PSD in order to create a fully consistent legal framework for all electronic payment instruments in Europe, and avoid any ambiguities which may result from differences between legal texts.

The review process has also identified other areas, where modifications of the Regulation would be desirable. For example, the absence of clearly identified national competent authorities and out-of-court redress bodies for disputes related to the Regulation had led to enforcement problems in some Member States. The new proposal deals with these issues by appointing the necessary authorities, empowering them to deal with the enforcement problems and by introducing the principle of active cross-border co-operation in resolving any potential disputes.

Finally, the review highlighted the necessity to provide for a progressive phasing-out of some statistical reporting obligations, which create obstacles to the integration of the payments market and endanger the SEPA project. Settlement-based reporting for balance of payments purposes should be ultimately abandoned, according to the proposal. This shall be preceded by a phase-out period, in which the reporting requirements will be relaxed.

info
Krzysztof Zurek
TEL: +32 (0)2.299 88 03
FAX: +32 (0)2.295 07 50
Markt-H3@ec.europa.eu

info http://ec.europa.eu/internal_market/payments/crossborder/index_en.htm

Emerging digital barriers to the Single Market

Since 1993 great strides have been made by the EU in removing the trade barriers between the Member States. Despite this undoubted success, today we face the risk of new internal market barriers being created - electronic barriers .

Current efforts by EU Member States to modernise public administrations and introduce online eGovernment services for individuals and businesses, run the risk of creating multiple and divergent solutions across the European Union.

Incompatible approaches to online procurement, electronic signatures, eInvoicing and document authentication can potentially re-introduce market fragmentation and undermine the benefits of the Single Market.

Single Market Review

The potential risks of 'eBarriers' being created between EU countries were clearly highlighted in the Single Market Review published by the Commission in November 2007 and subsequently endorsed by EU leaders at the Spring European Council.

European legislators are well aware of the potential benefits which electronic solutions can deliver and in many important areas, Internet-based requirements are being incorporated in new EU legislation.

This is being done, however, under the assumption that the computer technology and standards are in place to make electronic systems work seamlessly across national borders.

Indeed important pieces of European legislation relating to public procurement, the provision of cross-border services (the Services Directive) and the Single Euro Payments Area (SEPA) place significant reliance on electronic (Internet-based) communications.

"Incompatible approaches to online procurement, electronic signatures, eInvoicing and document authentication can potentially re-introduce market fragmentation and undermine the benefits of the Single Market."

Unfortunately, all the building blocks of the information society are not yet in place and when it comes to putting those policies in practice, there can often be a few surprises in store.

Political support

The EU's Lisbon Strategy for Growth and Jobs highlighted the development of interoperable eInvoicing as a vital component of the strategy for improving competitiveness. At the Manchester Ministerial eGovernment Conference in 2005, European ministers agreed that by 2010, public procurement would be fully available electronically and should be widely used. Also in the i2010 eGovernment Action Plan launched in 2006, both eProcurement, eID and eSignatures are explicitly highlighted as the key enabling technologies which underpin effective eGovernment.

Despite the removal of trade barriers in the Single Market, new digital barriers are emerging through cross-border incompatibility of computer systems.

But progress in reaching agreement on standards and technologies for existing solutions has been worryingly slow. Indeed many feel that despite the official agreement on principles, they are still mostly being dealt with on a national and not European level. It is felt that the cross-border interoperability of eSignatures and eID have not been priority issues for Member States with potentially damaging consequences.

Electronic signatures

In 1999, EU Member States agreed on a Directive defining the Community framework for electronic signatures. This provides a legal basis for the acceptance and use of electronic signatures in the Single Market.

Despite now having a formal legal presence, there is today a lack of mutual recognition between eSignatures used in different Member States basically caused by the lack of trust in national supervision systems. The barriers here lie not only in the technical area but also in legal and political issues.

eProcurement Action Plan

The EU's Procurement Directives adopted in 2004 provide a comprehensive legal and policy framework for the electronic processing of public tenders - eProcurement. The deadline for transposition into national law was 31 January 2006, and nearly all Member States have completed this.

The objective of the EU legal framework is to allow full automation of the procurement-to-payment process chain while preserving all of the existing guarantees and ensuring that the electronic communication and receipt of offers is non-discriminatory, transparent and fair.

In addition to the classic procurement procedures there are also provisions for 'lighter' procedures applicable to, for example, repetitive purchases or dynamic acquisitions such as electronic auctions.

The potential gains here are substantial. The public sector is the largest buyer in the EU and public tender contracts in 2006 amounted to some 1,800 billion euros – equivalent to 16% of the EU's GDP. An estimated 5% savings can be made on the cost of public contracts through eProcurement and on top of this the transaction costs can it is believed be reduced by 50%.

In order to help Member States realise these potential benefits, a comprehensive Action Plan on eProcurement was launched at the end of 2004. It seeks to help modernise the general procurement environment, encourage Member States to automate the various phases of the procurement cycle and create the conditions for trade between the EU and third parties.

Electronic procurement is indeed moving ahead rapidly in many Member States. There are plenty of examples of successful implementation of eProcurement and today tender notices are already regularly handled electronically all over Europe. France, for example, saves time for its service providers and civil servants by using electronic tendering with its 'marchés-publics' platform.

However, across the EU different national solutions for eProcurement are being developed using in some cases non-interoperable electronic signatures.

The electronic signatures embedded in the documents are an essential part of the eProcurement process which has to provide a secure and interoperable means of electronic authentication of the signatory, and also guarantee the integrity of the documents submitted. Tender documents which are signed electronically cannot be changed without destroying the signature value.

For pan European eProcurement to work, the eSignatures employed must be interoperable across all Member States. If they are not, the automation process cannot deliver the expected benefits.

The issues involved in electronic signatures in public procurement are indeed complex. Bidders have to provide in one electronic 'package' several electronic documents from different sources, all of them properly authenticated. Sometimes several electronic signatures may have to be attached to a single document, for instance when a consortium submits a tender.

Whilst Member States develop their solutions the experience so far is that public authorities in Member States are frequently not considering the cross-border dimension of eProcurement. They assume that bidders will use their own national electronic signature.

It is clear that the implementation of eProcurement can bring great benefits. But for this to be fully realised, the interoperability issue of electronic signatures must be resolved as they are essential key enablers of electronic procedures.

SEPA and eInvoicing benefits

The Single Euro Payments Area (SEPA) has been launched this year and aims at completing monetary integration in the euro area and at creating a world class payments system for the EU's Single Market. SEPA standardises and harmonises payment processes and therefore creates an environment which could facilitate the implementation of electronic invoicing solutions.

eInvoicing indeed offers huge potential financial benefits. Denmark, for example, which has been leading the way in promoting the use of electronic invoices, reports cost savings of the order of 100 million euros a year by moving from paper to electronic invoices.

Currently, 80-90% of all invoices in the EU are still paper-based. A study undertaken by Cap Gemini shows that cost reductions of the order of 70-75 percent are possible by moving from paper to electronic invoicing. Over a 6 year period this represents an estimated potential cost saving of 238 billion euros for the market as a whole.

Some 30 billion invoices are generated in the EU each year. This represents a lot of ink and paper. An estimated 15 million trees are used in generation of paper invoices. The eInvoicing approach also promises greater productivity and better customer service.

The potential benefits are enormous but the emergence of multiple solutions which are not interoperable would considerably diminish the benefits. The Commission has set up an expert group in order to identify shortcomings in the regulatory and technological environment which complicate a wider use of electronic invoicing. Based on its findings, the expert group will propose a European eInvoicing framework at the end of 2009.

Services Directive – electronic procedures and Points of Single Contact

The EU's Services Directive, which has to be implemented by end December 2009, will significantly reduce barriers and stimulate trade across a wide variety of service sectors such as business services, retail services, most regulated professions, construction services, real estate or tourism and leisure services, etc..

It is also the first Internal Market Directive that contains such a general binding obligation for Member States to put in place 'eGovernment services' and to allow for their use across borders. In particular, Article 8 of the Directive requires Member States to give businesses the possibility to complete all procedures and formalities necessary to undertake a service activity through so-called 'Points of Single Contact'. The 'Points of Single Contact' are meant to become the single institutional interlocutors for businesses, so that they do not need to contact several ministries or bodies to identify and deal with procedures. The 'Points of Single Contact' have to give service providers the possibility to complete all procedures and formalities at a distance and by electronic means.

In practical terms, this means that a business has to be able to submit all applications and to receive, where required, the replies of the relevant authorities by electronic means. Furthermore, the use of electronic procedures needs to be possible not only for businesses established in the country of the administration which is granting an authorisation or requiring compliance with other formalities - but it must also be possible across borders (for instance a company in Member State X wanting to establish a branch in Member State Y should be able, from X, to complete the procedures and formalities with Y via electronic means through the Point of Single Contact there).

In using these electronic procedures, the service providers are likely to be required in some cases to identify themselves and sign forms or documents. The issue of interoperable eSignature once again can become a key factor in ensuring the cross-border completion of electronic procedures.

eSignatures Action Plan published

The Commission's Single Market Review highlighted the risk of creating new eBarriers to the cross-border provision of public services in the absence of mutual recognised and interoperable eSignatures. This issue was taken up by the European Council in March 2008 and a clear priority to focus on the development of interoperable solutions for eSignature and electronic authentication was set.

In response to this the Commission has drawn up an Action Plan* which was published on 28 November. It sets out to offer a comprehensive and pragmatic framework to achieve interoperability and simplify access to cross-border electronic public services.

Solutions - cross-border pilot projects

The problem areas of electronic signatures and pan European online public procurement are being tackled at European level by a Large Scale Pilot (LSP) project known as PEPPOL (Pan-European Public eProcurement On-Line), supported under the Competitiveness and Innovation Programme (CIP).

The general approach of the PEPPOL project which is being conducted by consortium public and private sector organisations, is not to sweep away national solutions and the good work already undertaken, but to make them interoperable.

The pilots aim to develop a 'process' - a methodology for working with existing approaches and trying to find a common way forward which builds on what is already being done.

A durable and interoperable EU wide solution for eIdentification should be delivered through another Large-Scale Project S.T.O.R.K. (Secure indenTity AcrOss Borders LinKed).

This project is tackling the challenges surrounding eID interoperability and sets out to find a system for cross-border recognition of eID and authentication that enables citizens and business to use their national electronic identities across Europe. Its end-goal is to define and test common specifications for an overall cross-border architecture which is acceptable to all Member States and industrial interests.

Some 30 billion invoices are generated in the EU each year. This represents a lot of ink and paper. By moving to eInvoicing an estimated cost saving of 238 billion euros can be achieved over a six year period. The potential benefits of eInvoicing are enormous but the emergence of multiple solutions which are not interoperable will considerably diminish the benefits.

S.T.O.R.K. is aiming to achieve the implementation of an EU wide interoperable system for the recognition of eID and authentication that will enable business, citizens and government employees to use their national electronic identities in any Member State.

The implementation of the Services Directive

The ongoing implementation process of the Services Directive offers a good opportunity to make progress in this area. The Commission and Member States are currently working closely together to find pragmatic solutions to facilitate the cross border use of eSignatures (if and when required by MS) and other key elements such as eDocuments.

Showing the way...

The Commission is trying to lead by example and bring Member States together and be the focal point of efforts to adopt common, compatible and interoperable systems.

The Commission is also supporting Member States at the technical level by bringing together national experts to jointly map the way forward and share ideas and resources.

At the end of the day, the implementation is the responsibility of each Member State. The Commission is trying to encourage and stimulate them to move in the interoperable direction.

The rewards for success are substantial. ICT are an essential tool for making the Single Market more competitive and delivering better value for public money to European citizens.

info http://ec.europa.eu/internal_market/publicprocurement/index_en.htm

* Action Plan on eSignatures and eIdentification to facilitate the provision of cross-border public services in the Single Market

Electronic money: Commission proposes clear legal framework for innovative payment solutions

The Commission has put forward a proposal revising the current rules governing the conditions for issuing electronic money in the EU. The revised rules will facilitate market entrance for new providers and contribute to develop an industry whose expected volume could reach up to 10 billion euro by 2012.

The Commission's proposal to revise the rules relating to electronic money follows extensive consultation which showed that the current rules, dating from 2000, have hindered the take-up of the electronic money market, hampering technological innovation.

The proposal provides for a modern and coherent legal framework for issuing electronic money, with the aim of promoting the emergence of a true single market for electronic money services in the European Union.

The main innovations proposed are:

- a technologically neutral and simpler definition of 'electronic money', covering all situations where the payment service provider (an eMoney institution or a credit institution) issues a prepaid stored value in exchange of funds. Electronic money is therefore defined as monetary value stored electronically on receipt of funds and which is used for making payment transactions. This definition covers eMoney held on payment devices in the holder's possession (pre-paid cards or electronic purse) or stored remotely at a server (network or software money);
- a new prudential regime, ensuring greater consistency between prudential requirements of electronic money institutions and payment institutions under the Payment Services Directive. The new prudential requirements include an initial capital of 125,000 euro enabling market entry for smaller players and new formulas to determine ongoing capital. The waiver regime, according to which small entities can obtain derogation for some of the authorisation requirements, is aligned with that of payment institutions under the Payments Services Directive, and anti-money laundering requirements are updated;
- a clarification of the application of redemption requirements, with special reference to their application to mobile telecommunications. Consumers would have the right to claim back their electronic money at any moment, under conditions laid down by the new rules.

Realising the full potential

The eMoney Directive (2000/46/EC) sought to facilitate access by non-credit institutions to the business of eMoney issuance. However, electronic money is still far from delivering the full potential benefits that were expected at the time of its adoption and is not yet considered a credible alternative to cash.

The evaluation of the application of this Directive has shown that some of its provisions seem to have hindered the take-up of the electronic money market, hampering technological innovation.

The proposal aims at enabling new, innovative and secure electronic money services to be designed, providing market access to new players and fostering real and effective competition between all market participants.

As all provisions have been amended and the structure revised, it is proposed that the existing eMoney Directive be repealed and replaced by a new Directive. The proposal now passes to the European Parliament and the Council of Ministers for consideration.

Charlie McCreevy Commissioner for the Internal Market and Services commented: "These modern rules will foster competition and innovation, while ensuring market confidence and a high level of protection for consumers. This will be an important contribution to our broad objective of creating a Single Market for electronic payments."

info http://ec.europa.eu/internal_market/payments/emoney/index_en.htm

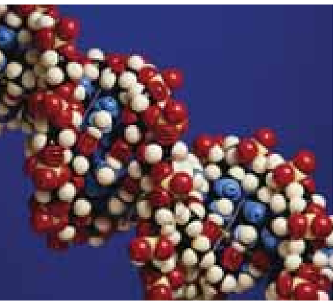
Industrial property conference looks at the Community Patent and counterfeiting

DG Internal Market and Services in collaboration with the French Presidency organised a conference on Industrial Property Rights in Strasbourg on 16 and 17 October 2008. This two-day event was opened by Commissioner Charlie McCreevy and brought together stakeholders, experts, judges, and members of the European Parliament to share views and discuss IP issues which are crucial for European competitiveness.

"...in Europe today, every second invention is not protected because of the weaknesses of the patent system."

The Strasbourg conference tackled three main topics: a Jurisdiction for European and Community Patents, the Community Patent and the fight against Counterfeiting and IP Piracy.

In its recent Communication entitled 'enhancing the patent system in Europe' the Commission set out its vision for improving the patent system in Europe and for revitalising the debate on patent reforms. Since then significant progress has been achieved in the Council working party. This has led to a revised draft Council Regulation on the Community patent and a revised draft Agreement on the EU Patent Court which were debated at day one of the conference.



The second day of the conference was dedicated to the fight against IPR infringements which is one of the main policy areas addressed in the Commission's Communication 'An Industrial Property Rights Strategy for Europe' of 16 July 2008.

There was a broad consensus on the need for action. Participants highlighted that the fragmentation of the current patent system, its costs, complexity, and resulting legal insecurity harm the competitiveness of European businesses. Such shortcomings hamper access to the patent system for SMEs.

As one participant stressed, in Europe today, every second invention is not protected because of the weaknesses of the patent system. Europe is lagging behind at a time when countries such as China are creating a state-of-the-art patent system by setting up a centralised and specialised Patent Court. Participants were unanimous in their calls for speedy action.

There was also broad consensus on the objectives of patent reform. Participants agreed that the creation of a patent litigation system and of a Community patent should not be pursued at any cost. A reform should bring real benefits to users, otherwise it should be abandoned. The patent litigation system should deliver high-quality judgements and cost-effective, efficient and speedy procedures. It should also strike a fair balance between the interests of patent proprietors and alleged infringers, whilst having an overall beneficial effect on competition and innovation.

Participants agreed, in particular, on a Court of First Instance involving decentralised local and regional divisions, and on the need for a multinational composition of the panels, although there was some divergence on details. Moreover there was support for the involvement of technical judges and the concept of a pool of judges. The objective is to make efficient use of resources and to ensure the participation of experienced judges in all local divisions.

Furthermore there was a large agreement on the scope of jurisdiction for the new Patent Court. The Court should be competent for patent infringements and all relevant defences including those available under competition law.

With respect to remedies and sanctions, participants concurred that in cases of infringement, judges should not grant automatic injunctions, but should have the discretion to weigh the interests of both parties and refuse injunctions where appropriate.

Participants suggested making use of the Venice-II-Resolution and of best practice existing in the different Member States, both under common law and Continental traditions. The intention should not be to harmonise national laws but to build a new and optimal system.

There also seemed to be broad support for the creation of a European Mediation and Arbitration Centre. Representatives of SMEs, in particular stressed, that although the creation of a European Patent Court would facilitate access to justice for SMEs, out-of-court settlements would still be an attractive option, both in terms of costs and speed of proceedings. A European Centre with tailor-made facilities could further help SMEs to defend their rights more effectively.

Community patent

As to the Community patent, participants reiterated that the single title should be cost-effective, legally secure and reduce complexity. It should also allow for more efficient enforcement of rights inside the European Union and at its external borders. In particular, it should enable the seizure by customs authorities of all products infringing patent rights, wherever counterfeits enter the European single market.

Most participants agreed that automated translations would be the right way forward to address the language issue. Translation requirements have been a stumbling block to the creation of the Community patent for many years. It was stressed that machine translations would be helpful for patent information, but these should have no legal value. Once again the main issues for participants were cost-effectiveness and legal security. One participant described this as follows: "The creation of a Community patent should allow companies not to hire more lawyers but more engineers."

Participants also expressed their views on what should be done if patent reforms fail once more again. It was suggested that alternative approaches with limited participation such as enhanced co-operation be considered.

Counterfeiting

The issue of counterfeiting was discussed from different aspects such as the economic impact and implications for competitiveness and innovation, the consequences for the health and safety of citizens, and cross-border cooperation to strengthen enforcement of IPRs.

Participants stressed that the current financial crisis and economic downturn aggravate the problem of counterfeiting and piracy as companies and consumers show a growing preference for low priced goods and services.

A particular focus of the debate was the Internet. It was noted that it facilitates the sale of counterfeit goods. The presence and sale of fake goods undermines consumer trust in Internet selling. Therefore, stakeholders, brand owners and internet sellers alike have an intrinsic interest in stopping counterfeit sales. For this reason inter-industry agreements would appear helpful. This approach should be explored further and stakeholder dialogues should be launched.

IPR infringements affect all industrial sectors. Various participants stressed that all Intellectual Property Rights are equal and merit equal protection. The fight against IP violations should not be limited to trademark infringements. Infringements of trademarks can be easy and more straightforward to establish. However, the wilful infringement of patents and the copying of patent protected subject matter have likewise serious consequences.

European Observatory

There was overwhelming support for the European Observatory on Counterfeiting and Piracy. Despite a growing general awareness of the dangers of counterfeiting and piracy, reliable facts and data concerning the nature and scale of IP violations have been difficult to generate. The observatory will help IPR enforcement through detailed assessment of existing data on trends and the overall dimension of IP-related crime.

The Internet increasingly facilitates the sale of counterfeit goods.

Participants reached consensus that public awareness raising about the dangers of counterfeiting needs to be better focused. The BASCAP Intellectual property Guidelines for Businesses which were launched on the same occasion were therefore particularly welcome.

It was also recalled that most consumers are also employees. Therefore, the message that buying counterfeit products puts employees' jobs at risk should become part of every company's IP culture.

It was also felt that in the fight against counterfeiting new technologies should be more efficiently used. Innovative technologies can significantly improve the tracking and tracing of original goods and the identification of counterfeit products.

There is thus a need for cooperation in order to promote common platforms.

To sum up participants felt that there has been enough debate and that there is an urgent need for action now. The Community and the Member States should assume their responsibilities and get things done.

info
Margot Froehlinger
TEL: +32 (0)2.295 93 50
Jens Gaster
TEL: +32 (0)2.296 19 73
FAX: +32 (0)2.299 31 04
Markt-D2@ec.europa.eu

info http://ec.europa.eu/internal_market/indprop/index_en.htm

McCreevy recommends a simplification of accounting rules for small firms

Charlie McCreevy, Commissioner for the Internal Market and Services has given his backing to proposals drawn up by the Stoiber High Level Group of Independent Stakeholders to give Member States an option to exempt small firms - micro entities and SMEs - from the time-consuming rigours of the EU's Accounting Directives.

In 2007 a proposal was put forward to allow Member States to exempt very small companies or so called 'micro entities' from the EU's Accounting Directives.

A consultation which was subsequently undertaken by the Commission showed that 59% of the respondents were in favour of the proposal. Those in favour were mainly companies and public authorities. Those against included parts of the accountancy profession, and some Member States.

In July 2008, the High Level Group of Independent Stakeholders on Administrative Burdens, headed by Edmund Stoiber, examined the issue and had before it a report prepared by outside consultants which found that there could be an immediate saving of 5.7 billion euro, if micro entities were exempted from the accounting framework and no longer had to prepare annual accounts.

With the move to IFRS for listed companies, the Accounting Directives have become less relevant.

The Group delivered a 'compromise' proposal of allowing Member States to decide for themselves whether to exempt micro entities from these obligations.

As a consequence the Group called on the Commission to bring forward a proposal to allow Member States to exempt micro entities from the Accounting Directives.

> "It is estimated that micro entities would save on average as much as 1,200 euro per year by exempting them from the onerous requirements of the Accounting Directives."

Long-standing Directives

The Accounting Directives have been around for 25-30 years and to date there has been no real attempt to update them. These Directives were designed as general rules with all businesses in mind – large or small. Furthermore, they already allow Member States to exempt certain types of companies from the requirements.

With the move to IFRS for listed companies, the Accounting Directives have become less relevant. Many companies are now outside their scope altogether.

> "..there could be an immediate saving of 5.7 billion euro, if micro entities were exempted from the accounting framework and no longer had to prepare annual accounts."

It is estimated that micro entities would save on average as much as 1,200 euro per year by exempting them from the onerous requirements of the Accounting Directives.

Commissioner McCreevy has taken the view that there is considerable merit in supporting the Stoiber Group's proposal that Member States should be allowed the option to exempt micro entities from the accounting requirements.

info http://ec.europa.eu/internal_market/company/simplification/index_en.htm

Proposals to further simplify EU rules on mergers and divisions

Further cost savings for public limited liability companies in the EU will be possible through the proposed introduction of simplified reporting requirements in the event of company mergers or divisions.

The Commission has put forward a proposal for a Directive that will further reduce the administrative burdens on European public limited-liability companies in the area of mergers and divisions.

Under the proposal, companies would benefit from simplified requirements on reporting and on the publication of draft terms.

The proposal complements the two packages of 'fast track' measures that were put forward by the Commission in March 2007 and April 2008.

These measures will contribute to the objective of reducing administrative burdens on EU companies by 25% by the end of 2012. The total savings potential of the measures proposed so far in the area of company law, with the current proposal, is brought to 1 billion euro/year.

Company law, accounting and auditing have been identified as priority areas for reducing administrative burdens on companies.

Simplified business environment

The Commission set out its action plan in these areas in its Communication on a 'Simplified business environment for companies in the areas of company law, accounting and auditing' of 10 July 2007.

The reaction to the Communication showed clear overall support for the initiative.

In the area of company law, the preference was clearly for proposing targeted changes to the existing directives instead of repealing certain ones altogether.

The current proposal aims notably at:

- reducing the reporting requirements of companies in the case of mergers and divisions, in particular where shareholders decide that certain reports are not needed and in the context of so-called 'simplified' mergers and divisions between parent companies and their subsidiaries;
- avoiding double reporting where reporting requirements also result from other EU rules;
- introducing the possibility for companies to use the Internet and electronic mail in order to publish the draft terms of merger or division and to provide shareholders with the documentation required.

"With this proposal, we continue to deliver on the promises we made last year," commented Internal Market and Services Commissioner Charlie McCreevy.

"The Directives that we want to modify date back about 30 years. If we want to keep administrative burdens for EU companies to a minimum we must make sure that these rules are brought in line with today's technological possibilities and business processes."

info http://ec.europa.eu/internal_market/company/simplification/index_en.htm

Commission assesses the use of electronic procurement in Europe

The Commission is launching an online survey to find out more about the actual experience of businesses and public purchasers with electronic public procurement (eProcurement). This will provide essential information for an evaluation which is taking place on the effective up-take of eProcurement across the EU and will guide future EU action in this field

In particular the evaluation will assess how well the objectives of the 'Action Plan for the implementation of the legal framework for electronic public procurement', adopted by the Commission in December 2004, have been achieved.

Public procurement is a key sector of the EU economy accounting for about 16% of GDP. Modernising and opening up procurement markets across borders – including through the expansion of eProcurement – is crucial to Europe's competitiveness and for creating new opportunities for EU businesses.

eProcurement is also a key strategic element in the Commission's plans to reduce administrative burden. It is estimated that electronic procurement and invoicing could reduce total procurement costs by around 5% and more than halve transaction costs, saving governments – and therefore taxpayers – billions of euros annually.

The benefits of eProcurement do not stop at saving money. Traditional procurement systems can be difficult for potential bidders to access, while many may simply be unaware of existing tendering opportunities. Making it easier to obtain information and knowledge will benefit all businesses, but particularly SMEs, which often lack the manpower to monitor the market.

Several Member States have already realised the high potential benefits of eProcurement. However it is clear that there are still barriers to be overcome if eProcurement is to fulfil its potential and hence the Commission invites all interested parties to respond to this survey.

Different questionnaires have been designed to ask specific questions of businesses, public purchasers and the institutions responsible for public procurement policy.

Parties interested in participating in this survey - the deadline for responses is 18 December 2008 - visit the website or send an email to:

http://ec.europa.eu/internal_market/publicprocurement/e-procurement_en.htm#consultation survey.eproc@it.ey.com.

Commission holds conferences on the Market Abuse Directive and on MiFID

The Commission held two conferences on 12 and 13 November 2008 in Brussels. The first one was on the Market Abuse Directive (MAD); the second one was on the Markets in Financial Instruments Directive (MiFID). Both conferences brought together senior policy makers, regulators, a wide range of stakeholders representing business and civil society and academia.

Concerning market abuse, the debate focused on whether the MAD had a positive impact on market integrity four years after its enforcement deadline.

Speakers covered various topics including the scope of the MAD, inside information, market manipulation and the enforcement of the Directive. Many attendees expressed concerns regarding the necessity to scrutinize carefully the regime of sanctions, short selling and the possibility for issuers to delay disclosure of inside information. It was also underlined that the financial turmoil has increased the possibilities of abuse.

MiFID - one year on

Concerning MiFID, the debate focused on the impact of MiFID one year after its enforcement deadline. Speakers covered various topics including economic and institutional impacts, impacts on firms and on investors and related international aspects. There was general agreement on the positive effects of MiFID and on the need to separate the results of MiFID from the context of the global financial crisis.

Concerning trading venues and investment firms, it was recognised that competition makes markets function better, although several issues were raised concerning transparency requirements. Concerning supervisors, a call was issued for the proper application of MiFID with CESR holding a crucial role in ensuring better coordination and convergence between national supervisors. Regarding investors, MiFID is believed to have increased retail investor protection though more investor education and an eventual extension of MiFID to other products may be required. The need to address clearing and settlement was also expressed. All in all, MiFID was generally perceived to be a very positive development to the securities markets although some critical points will have to be closely monitored in the forthcoming review of the Directive taking into account the effects of the financial crisis.

info
http://ec.europa.eu/internal_market/securities/isd/conference_en.htm
http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm

SINGLE MARKET INFRINGEMENTS

Reimbursement of the cost of cross-border medical treatment: France, Luxembourg, Portugal and Spain

The Commission has decided to bring actions before the European Court of Justice against Portugal and France and to send reasoned opinions to Spain and Luxembourg with regard to cases where the cost of medical treatment received in another Member State has not been reimbursed. The Court of Justice has on several occasions expressed its opinion on the reimbursement of medical expenses incurred in another Member State and recognised patients' rights not granted in these countries.

Freedom of establishment for pharmacies: Germany and Portugal

The Commission has sent reasoned opinions to Germany concerning a prohibition for non-pharmacists on owning pharmacies and a prohibition on owning more than four pharmacies, and to Portugal concerning a prohibition for medicines wholesaling companies on owning pharmacies and a prohibition on owning more than four pharmacies.

Obstructing online sales of optical products and glasses: France

The Commission has formally requested France to amend its national legislation on the sale of optical products and glasses. By banning distance sales of optical products and glasses by qualified dispensing opticians and requiring all qualified operators to register their diploma with the French departmental authorities, the current legislation restricts freedom of establishment (Article 43 of the EC Treaty) and free movement of services (Article 49 of the EC Treaty), in particular free movement of information society services (as provided for in Directive 2000/31/EC on electronic commerce). The Commission's request takes the form of a reasoned opinion.

Hospital pharmacists: Spain

The Commission has decided, under Article 228 of the EC Treaty, to send a letter of formal notice to the Spanish authorities requesting information on the measures they have taken to comply with the European Court of Justice's judgement of 8 May 2008 (C-39/07) regarding recognition of professional qualifications of hospital pharmacists.

Special rights held by the State/public entities in EDP: Portugal

The Commission has decided to refer Portugal to the European Court of Justice as it considers that the special rights held by the State in Energia de Portugal (EDP) discourage investment from other Member States, in violation of EC Treaty rules.

Investment restrictions on open pension funds: Poland

The Commission has formally requested Poland to remove restrictions on investment by Polish Open Pension Funds (OPFs) in other Member States. The infringement procedure was initiated by a letter of formal notice in October 2007. Having analysed the reply from the Polish authorities, the Commission still considers that the investment limits in foreign assets imposed on OPFs act as restrictions to the free movement of capital in violation of EC Treaty rules. The Commission's request takes the form of a reasoned opinion.

Freedom to provide services: Austria, Belgium, Germany, Italy and the United Kingdom

The Commission has taken action to put an end to restrictions on freedom to provide services in five Member States. The Commission will refer Italy to the European Court of Justice over its regulations on compulsory maximum fees for lawyers' services. The Commission will send reasoned opinions to the United Kingdom concerning its regulations on trademarks and to Austria concerning its regulations on insolvency. The Commission will also send supplementary reasoned opinions to Belgium concerning the rights of European temporary employment agencies and to Germany concerning employee training in the Federal State of North Rhine-Westphalia.

Compliance with Court judgement on helicopter purchase contracts: Italy

The Commission has decided, under Article 228 of the EC Treaty, to send a letter of formal notice asking Italy for full information on its compliance with a 2008 judgment of the European Court of Justice concerning the award of supply contracts for the purchase of helicopters.

Road maintenance services and flight measure services: Germany

The Commission has decided to send reasoned opinions to Germany concerning the conclusion of public service contracts for the maintenance of district roads by administrative districts (Landkreise) in eight German States (Länder), and concerning the award of a public service contract in 2002 for the provision of flight measure services.

Motorway concessions: Italy (closure)

Following reforms in the Italian motorway sector, the Commission has decided to close an infringement procedure against Italy concerning restrictions on the free movement of capital and on the freedom of establishment. The Italian law in question is Decree-Law No 262 of 3 October 2006 "Urgent regulation on taxation and financial matters" and in particular, certain provisions of Article 12 concerning the "New discipline concerning the revision of fares on toll motorways and reinforcement of ruling power of ANAS", the Italian motorway regulator. The closure of this case is without prejudice to the ongoing procedures on the same topic relating to State Aid and transport policies as well as those in the field of public procurement.

More information on infringement proceedings relating to the Single Market is available at:
http://ec.europa.eu/internal_market/infringements/index_en.htm

The latest information on infringement proceedings concerning all Member States is available at:
http://ec.europa.eu/community_law/eulaw/index_en.htm

INFRINGEMENT PROCEDURES

If the Commission obtains or receives convincing evidence from a complainant that an infringement of EU law is taking place, it first sends the Member States concerned a letter of formal notice.
If the Member State does not reply with information allowing the case to be closed, the Commission sends a reasoned opinion, the second step of the infringement proceedings under Article 226 of the EC Treaty. If there is no satisfactory response within two months, the Commission may then decide to refer the case to the European Court of Justice in Luxembourg.

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Brona Meldrum
European Commission
DG Internal Market and Services

Unit A4
SPA2 1/008
B-1049 Brussels
Fax: +32 2 295 43 51
E-mail: Markt- smn@ec.europa.eu

Publications Office
Publications.eu.int